

BU19.5



City Council

Meeting No.	22	Contact	Marilyn Toft, Manager
Meeting Date	Monday, June 29, 2020 Tuesday, June 30, 2020	Phone	416-392-7032
Start Time	9:30 AM	E-mail	councilmeeting@toronto.ca
Location	Video Conference		

Executive Committee - Meeting 14

EX14.5	ACTION	Referred		Ward: All
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Municipal Land Transfer Tax Rebate for First-Time Home Buyers

City Council Decision

City Council on June 29 and 30, 2020, referred Item EX14.5 to the November 17, 2020 meeting of the Budget Committee for further consideration.

Committee Recommendations

The Executive Committee recommends that:

1. City Council receive the report (June 8, 2020) from the Chief Financial Officer and Treasurer for information.

Origin

(June 8, 2020) Report from the Chief Financial Officer and Treasurer

Summary

City Council directed the Chief Financial Officer and Treasurer to report to the April 1, 2020 City Council Meeting on opportunities to provide First-Time Home Buyer with greater relief from the Municipal Land Transfer Tax. This includes the maximum price eligibility threshold of \$400,000 to reflect increased home prices in Toronto. The rebate offsets the tax on up to \$400,000 of the purchase price.

Financial Impact

If Council elects to amend the Municipal Land Transfer Tax rebate, or even signal its intent to make specific changes in the future, in-year real estate market reaction (e.g. real estate sales) could result, potentially impacting Municipal Land Transfer Tax revenue. Changes to Municipal Land Transfer Tax rebate structure should be considered as part of the City's annual budget process.

Potential revenue impacts (see tables below) would depend on how the First-Time Home Buyer rebate is amended. Based on the 2019 net Municipal Land Transfer Tax revenue of

\$791.2M, potential amendments to the maximum price eligibility threshold would result in revenue reduction ranging from \$27M to \$64M.

Rebate Options	Cumulative Impact on FTHB rebate per transaction Increase (Decrease)*	Estimated Cumulative Tax revenue impact – Increase (Decrease)
Increasing First Time Home Buyer rebate threshold from:		
\$400,000 to \$500,000	\$2,000	(\$27.1M)
\$500,000 to \$600,000	\$4,000	(\$21.2M)
\$600,000 to \$700,000	\$6,000	(\$15.6M)

Applying a cap to the Value of Consideration would achieve annual savings ranging from \$7M to \$35M.

Value of Consideration Capping	Reason for chosen figure	Savings (\$M)
575K	Median Value of Consideration for First Time Home Buyer – 2019 actual	\$35.2
600K	Maximum qualified for Federal Incentive at 20 percent down payment	\$32.2
645K	Average Value of Consideration for First Time Home Buyer – 2019 actual	\$27.8
884K	Average resale price (City)	\$10.3
1,000K***	Random selection	\$6.8

Background Information (Committee)

(June 8, 2020) Revised Report from the Chief Financial Officer and Treasurer on Municipal Land Transfer Tax Rebate for First-Time Home Buyers
<http://www.toronto.ca/legdocs/mmis/2020/ex/bgrd/backgroundfile-148038.pdf>

Communications (Committee)

(June 16, 2020) Letter from Dave Wilkes, President and Chief Executive Officer, (BILD) Building Industry and Land Development Association (EX.Supp.EX14.5.1)
<http://www.toronto.ca/legdocs/mmis/2020/ex/comm/communicationfile-103554.pdf>
 (June 19, 2020) Letter from Michael Collins, President, Toronto Regional Real Estate Board (EX.Supp.EX14.5.2)
<http://www.toronto.ca/legdocs/mmis/2020/ex/comm/communicationfile-103644.pdf>